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The Corporate Social Responsibility Disclosure Reflect Ethical and Provides A Signal in the Form of Good News

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Abstract

Introduction/Main Objectives: *The study's novelty examines the effect of CSR disclosure on two factors that appear within the company: internal factors in the form of earnings management by company management and external factors in the form of investors' responses by investors outside the company.* ***Background Problems:*** *This study aims to test empirical evidence about the effect of CSR disclosure on earnings management and investors' response to the non-financial sector of companies in Indonesia.* ***Research Methods:*** *The research data is sourced from 720 sustainability reports and annual report data of non-financial companies listed on the IDX during 2018-2021 with a purposive sampling method.* ***Finding/Results:*** *The results showed that CSR disclosure hurts earnings management and positively affects investors' responses.* ***Conclusion:*** *This study indicate that CSR disclosure reflects ethical behaviour so that financial reports are more transparent and earnings management practices will decrease, while CSR disclosure provides a signal in the form of good news that could attract investors to buy company shares.*

Keywords: *CSR disclosure; earnings management; investors' response*
JEL Classification: M40; M41

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INTRODUCTION

Many companies in Indonesia carry out their activities in various profit-oriented business fields by maximizing their resources to earn profits for the sake of sustainability (Moratis & van Egmond, 2018). Several sectors of companies that are members of the IDX are directly related to natural resources (basic materials and energy) and have a high impact on the environment (consumer non-cyclicals and infrastructures) belonging to non-financial companies (Suryani & Wibowo, 2022). Information such as profit often appears in the company's financial reports, which is the primary concern of various parties when evaluating the company's performance level. Managers could make various choices of accounting policies for various purposes, called earnings management (Dewi & Rego, 2018).

Earnings management is the behaviour of managers who change earnings in financial reports for personal gain or certain parties (Tran et al., 2022). Earnings management could appear based on differences in authority, where shareholders demand managers to provide more capital returns on their investments (Choi et al., 2018). External parties, such as investors, are always more concerned with information about profit as a measure of performance in the company, so it encourages management to manipulate earnings management increasingly (Kim et al., 2019). As a company manager, management is expected to be more transparent in financial reports so that they are more relevant and reliable in assisting in decision-making. So, the information submitted by management is actual information about the company's financial condition (Rahmawardani & Muslichah, 2020).

However, several earnings management cases have emerged in Indonesia. In the case of PT Timah (Persero) Tbk, it was found that fictitious financial reports were provided in 2015, covering a loss of IDR 59 billion. The Board of Directors stated that PT Timah's condition continued worrying, so the positive result was a lie (Soda, 2016). Then, the case of the financial statements for PT Garuda Indonesia Tbk (GIAA) in 2018, which obtained a net income of IDR 11.33 billion, was a manipulation of the presentation of financial statements because management had recognized revenue from Mahata, which should still be in the form of receivables and not by PSAK number 23 (Sugianto, 2019).

In addition to affecting the internal company in the form of earnings management, CSR disclosure could also affect investment activities carried out by investors. Investment could be used to become financially independent, but some novice investors still need to improve, so it is essential to make analytical decisions on company performance (Rokhayati et al., 2019). Company performance is reflected in stock price movements where go-public companies have shares in capital markets such as the IDX, so companies are also required to consider the profit level for stakeholders (Hafidzi & Qomariah, 2020). A high stock price shows that the company also has a high value, thereby increasing market confidence in the future (Damayanthi, 2019). Sustainability, which is reflected in CSR disclosure in the sustainability report or annual report of the company, is considered good information or good news so that investors could react and respond (Sabatini & Sudana, 2019).

However, the existence of the COVID-19 pandemic is considered bad information or bad news for the capital market in Indonesia. One impact is that abnormal returns show negative results before, during, and after the announcement of COVID-19 as a global pandemic. However, the increase in trading volume increased the abnormal return by 8.13% from -0.00419 before the pandemic to -0.01231 after. This is due to the impact of investors selling shares to avoid greater losses from declining stock prices (Ryandono, 2022).

The concept of CSR provides the view that companies are not only responsible for a single bottom line as corporate values related to their finances, but companies must discuss the triple bottom lines as environmental and social (Supriyono et al., 2015). This is because financial conditions do not guarantee that they would continue to grow sustainably, so companies must also care about environmental and social conditions (Sabatini & Sudana, 2019). CSR helps the company solve various social problems, such as human rights, poverty, and community empowerment, to care for the environment and enhance the company's image (Ben et al., 2018). Companies that carry out CSR would also show value and benefits to stakeholders in the long term (Winarno et al., 2021).

Previous studies on the topic of the effect of CSR disclosure on earnings management and investors' response have been there where first, research related to earnings management by Palacios-Manzano et al. (2021), Rahmawardani (2020), Alexander & Palupi (2020), and Amar & Chakroun (2018) gave the results that the effect of CSR disclosure is negative and significant on

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earnings management. However, the difference in the results of Habbash and Haddad's research (2019) shows that the effect of CSR is positive on earnings management, and Wahyono et al. (2019) found that CSR does not affect earnings management. Second, research related to investors' responses by Yi et al. (2021), Chiu et al. (2020), Murashima (2020), Pérez et al. (2020), and Murashima (2019) gives the results of CSR disclosure having a positive effect and significant on investors' response. However, the difference in Suroto & Nugraha's research (2019), which gives the results of corporate CSR disclosure, has a negative effect but is not significant on investors' response. Previous studies showed inconsistent results, which prompted this research to further investigate the effect of CSR disclosure on earnings management as an internal factor and investors' response as an external factor in companies with non-financial sectors on the IDX in 2018-2021.

As the companies' managers, management has prior information compared to the principal, so asymmetric information appears and allows managers to change company reports (Sabatini & Sudana, 2019). According to stakeholder theory, CSR disclosure provides a company with sustainable information that increases public, consumer and stakeholder trust (Faisal et al., 2018). CSR would reflect the transparency of the annual report for those who use the report (Rahmawardani & Muslichah, 2020) to reduce earnings management (Palacios-Manzano et al., 2021) and make financial reports more reliable (Ben et al., 2018). The statement states that CSR disclosure's effect is negative on earnings management by companies (Gonçalves et al., 2021). So, the hypothesis that could be taken is,

H_1: CSR disclosure hurts earnings management

Investors' response is something that investors must do with high accuracy regarding the uncertainty of the company's sustainability in the future (Maqbool & Zamir, 2021). Disclosure of CSR reports that the company has implemented the triple bottom line concept with responsibility to society and the environment (Hajawiyah et al., 2020), which reflects the company's sustainability (Sabatini & Sudana, 2019). According to signalling theory, correct and appropriate disclosure of CSR would provide a signal or good news in the form of good news to the public (Hussain et al., 2019), so it could attract investors to buy company shares (Damayanthi, 2019). The statement states that CSR disclosure's effect positively impacts investment decisions through investors' responses (Murashima, 2020). So, the hypothesis that could be taken is,

H_2: CSR disclosure has a positive effect on investors' response

RESEARCH METHOD

This research uses a quantitative approach in the form of numbers collected through secondary data published on the company's website (Bougie & Sekaran, 2020). The research chose purposive sampling by selecting non-financial companies' sectors on the IDX, published annual reports or sustainability reports regularly during 2018-2021, and excluded companies that did not present a complete report, resulting in a final sample of 180 companies and a total of 720 data. The research has two dependent variables, which are calculated:

Table 1. Operationalizing Definitions of Dependent Variables

No.	Variable	Measurement	Source
1	Earnings Management	• $\mathbf{TA_{it}}$ = Earnings – Cash from operations • $\mathbf{TA_{it}/A_{it-1}} = \beta_1(1/A_{it-1}) + \beta_2(\Delta Rev_{it}/A_{it-1}) + \beta_3(PPE_{it}/A_{it-1}) + \varepsilon_{it}$ • $\mathbf{NDA_{it}} = \beta_1(1/A_{it-1}) + \beta_2(\Delta Rev_{it}-\Delta Rec_{it} /A_{it-1}) + \beta_3(PPE_{it}/A_{it-1}) + \varepsilon_{it}$	(Suryani & Wibowo, 2022)

No.	Variable	Measurement	Source
		• **DA_{it}** = $\lvert TA_{it}/A_{it-1} - NDA_{it} \rvert$	
2	Investors' Response	• **R_{it}** = $\alpha_i + \beta_i R_{mt} + \varepsilon_{it}$ • **AR_{it}** = $R_{it} - E[R_{it}]$ • **CAR_{it}** = $\sum_{a=t3}^{t} AR_{ia}$	(Murashima, 2019)

Source: Authors processed data (1)

Where:
Measurement of earnings management that TAit = total accruals for company of I in the t-year, Ait-1 = total assets for the company of I in the t-1 year, ΔRevit = income for the company of I in the t-year minus revenue in t-1 year, ΔRecit = receivables for the company of I in the t minus receivables year for t-1 year, PPEit = fixed assets for the company of I in the t-year, NDAit = Nondiscretionary Accruals for the company of I in the t-year, DAit = Discretionary Accruals for the company of I in the t-year, β1 – β3 = regression coefficient. Meanwhile, the measure of investors' response is that Rit = realized return for the security of I in the event of t period, αi = intercept for the security of I, βi = the slope coefficient, which is the beta from the security of I, Rmt = return of the market index in the period of t, ARit = Abnormal Return for the company of I in the year of t, E[Rit] = expected return for the security of I in the event of t period, CARit = Cumulative Abnormal Return for the company of I in the year of t, εit = Error.

The independent variable in this study is CSR disclosure, which could be calculated using the following formula (Suryani & Wibowo, 2022):

$$CSDI_j = \frac{\sum_{t=1}^{n_j} X_{ij}}{n_j} \quad (2)$$

Where:
CSDIj = Corporate Social Disclosure Index for j-company, nj = a number of items disclosed in j-company, nj ≤ 91, Xij = 1 for the item I disclosed and 0 for the item I not disclosed. There are three control variables in this study, and they are calculated as follows.

Table 2. Operationalizing Definitions of Control Variables

No.	Variable	Measurement	Source
1	Leverage	DAR = Total Liabilities/Total Assets × 100%	(Yi et al., 2021)
2	Firm Size	Size = Ln (Total assets)	(Alexander & Palupi, 2020)
3	Return on Equity	ROE = Net Income/Total Equity × 100%	(Pérez et al., 2020)

Source: Authors processed data (3)

The method of data analysis was processed by the program of IBM SPSS Version 26 with data analysis such as descriptive statistical tests, several classical assumption tests, coefficient of determination analysis, F-test (ANOVA significance tests), and t-test (individual parameter significant tests). This study uses the regression analysis technique with Ordinary Least Square (OLS) so that the linear regression model equation is as follows (Ghozali, 2021):

$$Y_1 = \alpha + \beta_1 X + \beta_2 C_1 + \beta_3 C_2 + \beta_4 C_3 + \varepsilon \quad (4)$$

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$$Y_2 = \alpha + \beta_5 X + \beta_6 C_1 + \beta_7 C_2 + \beta_8 C_3 + \varepsilon \tag{5}$$

Where:
Y_1 = earnings management (DA)
Y_2 = investors' response (CAR)
α = constant
β_1, β_5 = CSR regression coefficient
β_2, β_6 = leverage regression coefficient
β_3, β_7 = firm size regression coefficient
β_4, β_8 = ROE regression coefficient

RESULTS AND DISCUSSION

This study conducted several data analyses after all the data had been collected. The results for descriptive statistical analysis with the dependent variable DA (earnings management) and CAR (investors' response) are as follows.

Table 3. Descriptive Statistics of DA Variable (Y1)

	N	Minimum	Maximum	Mean	Std. Deviation
DA (Y1)	720	-0.49	0.17	0.0004	0.02195
CSR (X)	720	0.03	0.96	0.2877	0.18219
LEV(C1)	720	0.01	43.47	0.6444	2.34553
SIZE (C2)	720	24.77	33.54	29.1820	1.67750
ROE (C3)	720	-21.38	7.56	0.0509	0.64652
Valid N (listwise)	720				

Source: Authors processed data (6)

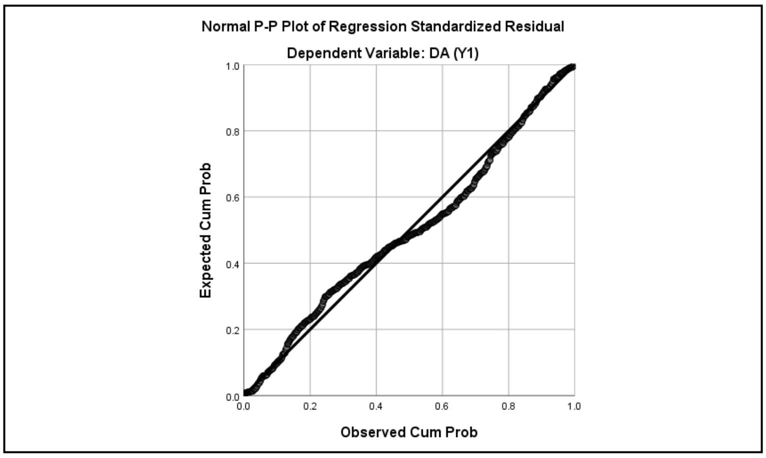
Table 4. Descriptive Statistics of CAR Variable (Y2)

	N	Minimum	Maximum	Mean	Std. Deviation
CAR (Y2)	720	-2.62	0.74	0.0004	0.08862
CSR (X)	720	0.03	0.96	0.2877	0.18219
LEV(C1)	720	0.01	43.47	0.6444	2.34553
SIZE (C2)	720	24.77	33.54	29.1820	1.67750
ROE (C3)	720	-21.38	7.56	0.0509	0.64652
Valid N (listwise)	720				

Source: Authors processed data (7)

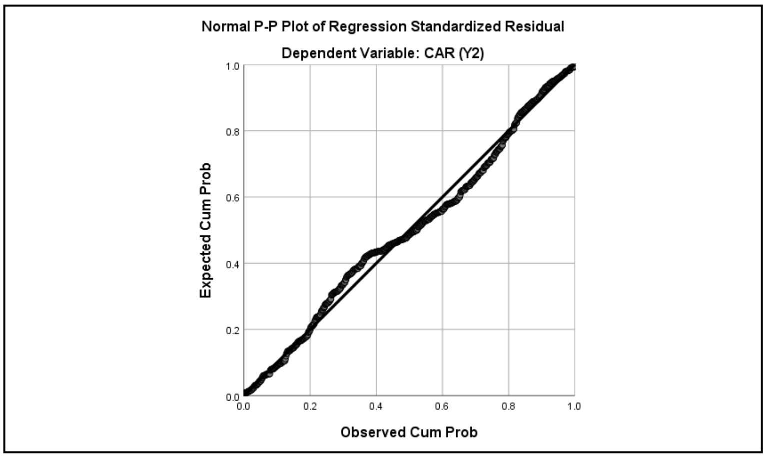
Tables 3 and 4 show the number of data (N) of 720 data. DA as Y1 shows both minimum value -0.49 and maximum value 0.17 achieved by PT. AKR Corpindo Tbk and the mean value is only 0.0004, which means companies in Indonesia have low earnings management practices. CAR as Y2 shows a minimum value of -2.62 achieved by Ratu Prabu Energi Tbk and a maximum value of 0.17 achieved by PT. Temas Tbk and the mean value is 0.0063, which means the market reaction gives a positive number after publishing the company's report. CSR shows a minimum value of 0.03 achieved by PT. Sidomulyo Selaras Tbk, while PT achieved the maximum score of 0.96. Bumi Resources Tbk, whose activities are directly related to natural resources, is obliged to apply environmental accounting (Suryani & Wibowo, 2022). The average value of CSR is 0.2877 or 29%, which is less than 50%, which means that CSR disclosure in Indonesia still needs to be higher. Leverage shows a minimum of 0.01, a maximum of 43.47, and a mean value of 0.6444, which means that the risk of not being able to pay its maturing obligations in the company reaches 64.44%. Firm size shows a minimum of 24.77, a maximum of 33.54, and a mean value of 29.1820, which means that the firm size reaches 29.18%. ROE shows a minimum value of -21.38, a maximum value of 7.56, and a mean value of 0.0509, which means the rate of return on shareholder investment reaches 5.09%. Then, the test for normality would be done by looking at the standard probability plot or P-P plot graph for the dependent variables DA and CAR, as follows.

Figure 1. Average Probability Plot Graph of DA Variable (Y1)



Source: Authors processed data (8)

Figure 2. Average Probability Plot Graph of CAR Variable (Y2)



Source: Authors processed data (9)

Figures 1 and 2 show average P-P plot graphs for the DA and CAR dependent variables. The results show that the dots in the graph spread around and close to or not far from the diagonal line, so the DA and CAR-dependent variables in this study fulfil the normality assumption. Then, the heteroscedasticity would be tested using the scatterplot graph for the dependent variables DA and CAR, as follows.

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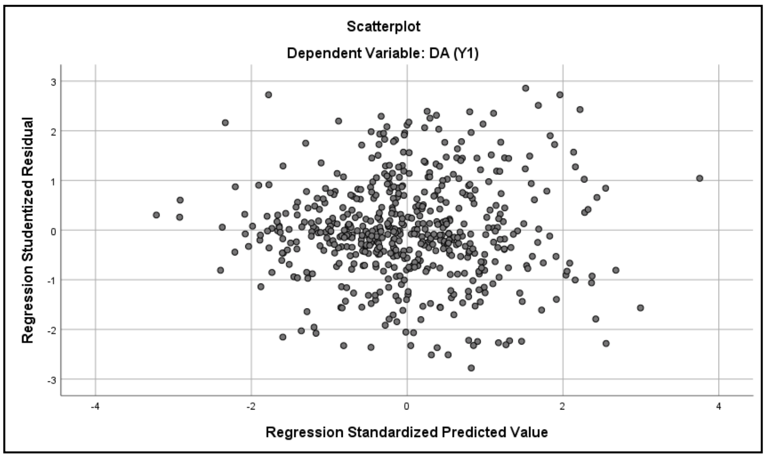
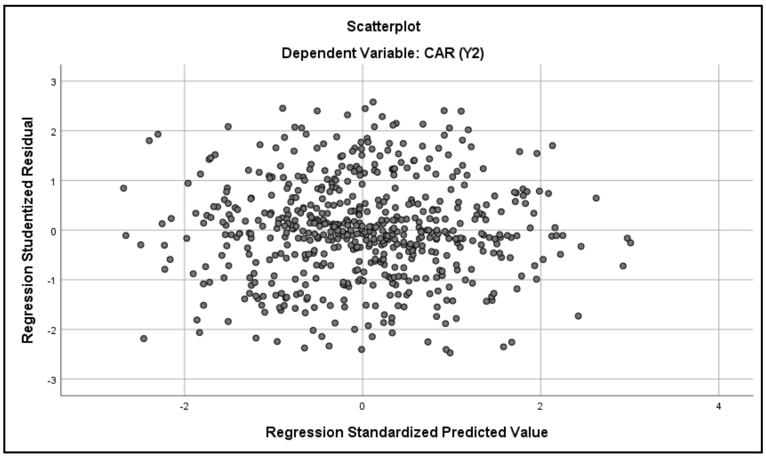
Figure 3. Scatterplot Graph of DA Variable (Y1)



Source: Authors processed data (10)

Figure 4. Scatterplot Graph of CAR Variable (Y2)



Source: Authors processed data (11)

Figures 3 and 4 show the results in the form of a scatterplot graph for both the dependent variables DA and CAR. The graph shows that the points spread randomly both below and above on the Y axis for number 0, so there is no heteroscedasticity with the DA and CAR as dependent variables in this study. Then, the test of autocorrelation uses the test of DW, and the coefficient of determination uses the R2 and Adjusted R2 values with the dependent variables DA and CAR as follows.

Table 5. Durbin-Watson Test and Coefficient of Determination of DA Variable (Y1)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.611	0.373	0.364	0.00096	1.908
Predictors: (Constant), ROE (C3), CSR (X), LEV (C1), SIZE (C2)					
Dependent Variable: DA (Y1)					

Source: Authors processed data (12)

Table 6. Durbin-Watson Test and Coefficient of Determination of CAR Variable (Y2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.649	0.421	0.418	0.11163	2.082
Predictors: (Constant), ROE (C3), CSR (X), LEV (C1), SIZE (C2)					
Dependent Variable: CAR (Y2)					

Source: Authors processed data (13)

Tables 5 and 6 show the results in the form of DW values compared to table values (du) and (4-du), which show that both DA variables are 1.87 < 1.908 < 2.12 and CAR variables are 1.87 < 2.082 < 2.12 for four variables and 700 data which stated that there is no autocorrelation of positive or negative so that it could not be rejected. There was no autocorrelation with the dependent variables DA and CAR. Tables 5 and 6 also show the results for the coefficient of determination, which shows that both the R2 and Adjusted R2 values of the DA variable are 0.33 < 0.373/0.364 < 0.67 and the CAR variable was 0.33 < 0.421/0.418 < 0.67 so that the dependent variables DA and CAR in this research are considered moderate. Then, test the F by using the significance value and comparing the F table value with the calculated F value for the dependent variables DA and CAR.

Table 7. Statistical F Test Results of DA Variable (Y1)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.000	4	0.000	43.123	.000
	Residual	0.000	715	0.000		
	Total	0.000	719			
Dependent Variable: DA (Y1)						
Predictors: (Constant), ROE (C3), CSR (X), LEV (C1), SIZE (C2)						

Source: Authors processed data (14)

Table 8. Statistical F Test Results of CAR Variable (Y2)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.002	4	0.000	9.199	.000
	Residual	0.022	715	0.000		
	Total	0.023	719			
Dependent Variable: CAR (Y2)						
Predictors: (Constant), ROE (C3), CSR (X), LEV (C1), SIZE (C2)						

Source: Authors processed data (15)

Tables 7 and 8 show the results as a significance probability value of 0.000 < 0.05, so all independent or control variables significantly affect the DA and CAR variables. Tables 7 and 8 also show the results in the form of calculated F to be compared with the F table, which shows that the DA variable was 43.123 > 2.37, the CAR variable was 9.199 > 2.37 for four variables, and the amount of data was infinite with a probability level of 0.05 so that the value of F also significant or either one or all variables significantly affect DA and CAR. Then, the multicollinearity test was used for the tolerance and VIF values, the t-test was used for the probability of significance value, and the regression analysis was done as a linear regression model equation for the DA variable, as follows.

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Table 9. Multicollinearity Test, t-Tests, and Simple Linear Regression Analysis Results of DA Variable (Y1)

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	0.033	0.004		8.771	0.000		
	CSR (X)	-0.005	0.000	-0.616	-12.059	0.000	0.830	1.205
	LEV (C1)	0.000031	0.000	0.030	0.633	0.527	0.990	1.010
	SIZE (C2)	0.009	0.001	0.415	8.090	0.000	0.821	1.218
	ROE (C3)	0.001	0.000	0.169	3.613	0.000	0.991	1.009

Dependent Variable: DA (Y1)
Predictors: (Constant), ROE (C3), CSR (X), LEV (C1), SIZE (C2)

Source: Authors processed data (16)

Table 9 gives the results for the test of multicollinearity that both the independent and the control variables have ≥ 0.10 for tolerance value and ≤ 10 for VIF value so that there was no multicollinearity with the dependent variable DA. In addition, table 8 shows the results for the test in the form of a significance probability value for each variable where LEV 0.527 > 0.05 means it was not significant while CSR, SIZE, and ROE 0.000 < 0.05 means it was significant, so CSR, SIZE, and ROE influence the DA variable. Table 9 also shows the t-value of the results to be compared with the t-table value of 1.960 for the two-tailed model, and the amount of data was infinite with a probability of 0.05 which shows that LEV was 0.633 < 1.960 while CSR was -12.059 > 1.960; SIZE 8.090 > 1.960; and ROE 3.613 > 1.960 so that the effect of LEV was positive and not significant on DA, the effect of CSR was negative and significant on DA, SIZE has positive effect and significant on DA. ROE has a positive effect and was significant on DA. In addition, table 9 gives the results for simple linear regression analysis in the form of unstandardized beta coefficients used in the linear regression model equation for the DA variable as follows.

$$DA = 0.033 - 0.005\,CSR + 0.000031\,LEV + 0.009\,SIZE + 0.001\,ROE \quad (17)$$

A constant of 0.033 indicates that the variable has a positive direction, and, if the independent variables are considered constant, the average level for earnings management was 0.033. The CSR regression coefficient -0.005 indicates that the variable has a negative direction: every time CSR activity and reporting increases, earnings management activities would decrease by 0.005. The SIZE regression coefficient of 0.009 indicates that the variable has a positive direction that at each level of firm size increases, earnings management activities also increase by 0.009. The ROE regression coefficient of 0.001 indicates that the variable has a positive direction, and each time the rate of return on investment increases, earnings management activities also increase by 0.001. Meanwhile, the multicollinearity test, t-test, and regression analysis for the dependent variable CAR are as follows.

Table 10. Multicollinearity Test, t-Tests, and Simple Linear Regression Analysis Results of CAR Variable (Y2)

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1 (Constant)	0.015	0.006		2.489	0.013		
CSR (X)	0.006	0.002	0.158	3.440	0.001	0.870	1.149
LEV (C1)	-0.001	0.002	-0.022	-0.468	0.640	0.860	1.163
SIZE (C2)	0.001	0.000	0.143	2.830	0.005	0.723	1.383
ROE (C3)	0.011	0.004	0.127	2.838	0.005	0.926	1.079

Dependent Variable: CAR (Y2)
Predictors: (Constant), ROE (C3), CSR (X), LEV (C1), SIZE (C2)

Source: Authors processed data (18)

Table 10 gives the results for the test of multicollinearity that both the independent and the control variables have ≥ 0.10 for tolerance value and ≤ 10 for VIF value that there was no multicollinearity with the dependent variable CAR in this study. In addition, table 10 gives the results for the test in the form of a significance probability value for each variable where LEV 0.640 > 0.05 means it was not significant while CSR was 0.001; SIZE 0.005; and ROE 0.005 < 0.05 means it was significant so that the DA variable was influenced by CSR, SIZE and ROE. Table 10 also shows the t-value of the results to be compared with the t-table of 1.960 for the two-tailed model, and the amount of data was infinite with a probability of 0.05 which shows that LEV -0.468 < 1.960 while CSR was 3.440 > 1.960; SIZE 2.830 > 1.960; and ROE 2.838 > 1.960 so that the effect of LEV was positive and not significant on CAR, the effect of CSR was negative and significant on CAR, SIZE has positive effect and significant on CAR, and ROE has positive effect and significant on CAR. In addition, table 10 gives the results of a simple linear regression analysis in the form of a linear regression model equation for the CAR variable.

$$CAR = 0.015 - 0.001\,LEV + 0.006\,CSR + 0.001\,SIZE + 0.011\,ROE \quad (19)$$

A constant of 0.015 means that the variable has a positive direction, and, if the independent variables are considered constant, the average investors' response rate was 0.015. The CSR regression coefficient of 0.006 indicates that the variable has a positive direction in which each activity and reporting on CSR increases, so investors' response to the stock market would also increase by 0.006. The SIZE regression coefficient of 0.001 indicates that the variable has a positive direction at each level of company size increases, so investors' response activities also increase by 0.001. The ROE regression coefficient of 0.011 indicates that the variable has a positive direction, and every time the rate of return on investment increases, the investors' response also increases by 0.001.

Data testing has been conducted to analyze the effect of the CSR disclosure variable, which was negative and significant on earnings management, so H1 was acceptable in this study. These results could be explained in several ways. The GRI G4 index was used to measure CSR disclosure, which was divided into economic, environmental, and social categories in this study (Alexander & Palupi, 2020). Companies that carry out CSR disclosures would be based on ethical behaviour because of their concern for the environment and surrounding communities, so companies would tend to present financial reports transparently, and earnings management practices would decrease (Suryani & Wibowo, 2022). In addition, the large number of CSR disclosures companies make indicates that managers are trying to build stronger and healthier relationships with company officials so that CSR could be considered a positive explanatory factor

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for income (Gonçalves et al., 2021). Thus, quality earnings would involve the company in lower earnings management and avoidance of profit losses, resulting in a higher quality of corporate financial reporting accruals (Palacios-Manzano et al., 2021). The consistency of the result was shown by Palacios-Manzano et al. (2021), Gonçalves et al. (2021), Rahmawardani (2020), Alexander & Palupi (2020), and Ben Amar & Chakroun (2018) stating that companies that carry out CSR activities and disclosure uphold ethics and moral values to care for society and the company's environment so that conflicting earnings management practices would decrease.

Data testing has also been carried out to analyze the effect of the CSR disclosure variable, which was positive and significant on investors' responses so that H_2 in this study was acceptable. These results could also be explained in several ways. Tests were carried out by analyzing announcements related to company CSR disclosures around the date of the event, and it was found that CSR disclosure had a positive impact both before, during and after the announcement (Murashima, 2019). The most decisive influence of CSR announcements on investors' response occurs one day before, one day during, and one day after the CSR announcement. Beyond that day, the influence would continue diminishing and become insignificant over time (Pérez et al., 2020). Investors show optimism for companies that publish their financial reports, including CSR disclosures, so that the stock market elicits a positive reaction (Chiu et al., 2020). Investors also responded positively to positive news because they wanted to look for investment opportunities in an environment with various asymmetric information to reduce the cost of finding information for asymmetric information problems (Murashima, 2020). It was consistent with Pérez (2020), Yi et al. (2021), Murashima (2020), Murashima (2019), and Chiu et al. (2020), which state that companies who publish their reports regarding CSR disclosure would provide positive news on the market stock so that investors would give a positive response to invest compared to negative news that could cause asymmetric information problems.

CONCLUSION

The results in this study from analysis and discussion indicate that the effect of CSR disclosure was negative on earnings management in accordance with ethical behaviour that could make financial reports more transparent, and the effect of CSR disclosure was positive on investors' response to positive news that gives investors a sense of optimism in investing. This study has limitations for further research. This study uses the DA proxy with the accrual-based earnings management method because this proxy was often used in previous research and detects earnings management strongly, so further research could do other measurement techniques like the revenue discretionary model to find more diverse results. This study uses the CAR proxy with the market model estimation model because this proxy was also often used in previous research and detects investors' responses appropriately, so further research could do other estimation models like mean adjusted or market adjusted models to find more diverse results.

AUTHORSHIP CONTRIBUTION STATEMENT

Each author has contributed to compiling, processing data, and creating conclusions in this article.

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